

**INGWE MUNICIPALITY**

**ANNUAL FINANCIAL STATEMENTS**

**30 June 2004**

**INGWE MUNICIPALITY****ANNUAL FINANCIAL STATEMENTS - 30 June 2004****INDEX**

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## **INGWE MUNICIPALITY**

### **ANNUAL FINANCIAL STATEMENTS - 30 June 2004**

#### **GENERAL INFORMATION**

##### **Members of the executive committee**

Mayor	: I M Miya
Deputy Mayor	: D R Ngcamu
Speaker	: S R K Mlotshwa
Other	: D L Smith
	: M A Zondi

##### **Other councillors**

J J Khawula, B P Malunga, M A Malunga, B C Mncwabe, M W Mtolo, N A Mtolo, B E Mveli, H A Ngcobo, S A Ngubo, B L Nzimande, H Nzimande, D J Shelembe, N R Shezi and T A Shezi.

D N Khuzwayo resigned during the year.

##### **Grading of local authority**

Grade 2 (In terms of the Remuneration of Public Office Bearers Act)

##### **Auditor**

Auditor-General

##### **Banker**

First National Bank  
A division of FirstRand Bank Limited

##### **Registered office**

Main Street  
Creighton  
3263

P O Box 62  
Creighton  
3263

Telephone: (039) 833-1038  
Facsimile: (039) 833-1179  
E-mail: [ingwe@futurenet.co.za](mailto:ingwe@futurenet.co.za)

##### **Municipal manager**

L M Hiener

##### **Treasurer**

F F McAllister

##### **Approval of financial statements**

The financial statements set out on pages 3 to 26 were approved by the municipal manager, mayor and executive committee on 24 December 2004.

**L M HIENER**  
**Municipal Manager**  
**Accounting Officer**

**I M MIYA**  
**Mayor**

## **INGWE MUNICIPALITY**

### **ANNUAL FINANCIAL STATEMENTS - 30 June 2004**

#### **FOREWORD**

The Ingwe Municipality is situated in southern KwaZulu-Natal and comprises the villages of Bulwer, Creighton and Donnybrook together with the rural areas surrounding the villages. The municipality has an area of approximately 1 970 square kilometres and an estimated population of 180 000. Creighton is the administrative centre of the municipality.

The financial statements indicate once again that the municipality remains in a sound financial position. Statutory funds, reserves and retained income amounted to R13,3 million at the year end in comparison with R10,6 million at the previous year end. These funds were represented by investments of R12,5 million and other net assets of R0,8 million. Investments at the previous year end amounted to R9,5 million and other net assets to R1,1 million.

The municipality's operating results for the year were severely affected by the loss of water trading and sanitation operations to the district municipality. As a result, a significantly higher portion of the equitable share grant was required to balance the operating budget. The council's ability to fund infrastructural development from this grant has therefore been somewhat curtailed.

The implementation of the municipality's integrated development plan continued during the year. This document, which is reviewed on an annual basis, remains the principal guide to the future development of the municipality and ensures that such development is carried out in a planned, orderly and efficient manner.

Significant capital expenditure incurred during the year in terms of the integrated development plan was for the erection of community halls at Bhidla, Njobokazi, Nkelebantwana and Zidweni, the construction of a taxi rank at Ncwadi and the construction of roads at Mdutshini, Qulashe, KwaSokhela, KwaSandanezwe, St Charles and Bulwer. In addition, the municipality acquired the local hall from the Creighton Agricultural Society and carried out extensive additions to the previous administration building with a view to letting offices to various tenants.

Further capital expenditure was incurred on the electrification of parts of the rural areas in partnership with Eskom. In an effort to upgrade local school facilities the municipality also erected a number of classrooms at Dazini, Ndabakazibuzwa and Nsimbini schools. The upgrading of the community gardens at Zashuke/Bhidla was completed during the year.

During the year the municipality received a grant of R1,6 million from central government for the launch of the Amakhuze biodiversity project. This project entails the restoration of historical buildings at Centocow mission for the purposes of housing the Gerard Bhengu Art Studio and Weaving Centre, named for a well-known artist who was raised on the mission, and to create employment for local women. By year end approximately R500 000 had been expended on this project.

I express my sincere thanks to the municipal manager and her staff and to my fellow councillors for their hard work and dedication during the year and for the pleasant atmosphere in which I have been able to perform my duties.

**I M MIYA**  
**Mayor**

## INGWE MUNICIPALITY

### ANNUAL FINANCIAL STATEMENTS - 30 June 2004

#### TREASURER'S REPORT for the year ended 30 June 2004

##### 1 Operating results

The operating results for the year are as follows:

	Actual R	Budget R
Operating surplus - Rates and general service	346 788	370 917
Operating surplus (deficit) - Water service	-	( 76 049)
Net operating surplus	<u>346 788</u>	<u>294 868</u>

Operating income other than the equitable share grant amounted to R1,6 million for the year compared with budgeted income of R1,4 million. The positive variance of R200 000 is attributable mainly to excesses over budget in respect of:

- Rates income because of conservative budgeting in respect of penalties and collection charges;
- Refuse charges because of greater demand than originally estimated; and
- Interest as a result of higher than anticipated investment of surplus cash funds.

The foregoing excesses were off-set by the loss of sewerage and water revenue as a result of the transfer of these operations to the district municipality.

Operating expenditure for the year amounted to R5,9 million and was R800 000 less than budget. Savings on budget were achieved in respect of salaries and wages as a result of the employment of new staff later than expected in the year. Other savings arose in respect of computer expenses, electricity, legal expenses, staff training and repairs and maintenance of plant and equipment and roads and drains.

The main items of expenditure over budget were as follows:

- Audit fee as a result of an underprovision in the previous year;
- Catering because of more meetings and functions than anticipated;
- Fuel and oil as a result of the acquisition of two additional motor vehicles;
- Hire of vehicles and equipment, a campaign to assist with obtaining identity documents by residents and a marketing trip to China that were not budgeted;
- The municipal relief fund and telephones because of inadequate budgeting;
- Refuse removal because the new land fill site was not completed before the year end;
- Repairs and maintenance largely because of major repairs to motor vehicles;

As a result of the excess of income over budget and the savings of expenditure against budget, the portion of the equitable share grant used to balance the budget was reduced from R5,6 million to R4,6 million. The saving of R1,0 million will thus be available for further development in the municipality in the forthcoming year.

**INGWE MUNICIPALITY****ANNUAL FINANCIAL STATEMENTS - 30 June 2004****TREASURER'S REPORT  
for the year ended 30 June 2004****2 Retained income**

Retained income increased from R313 812 at the beginning of the financial year to R319 375 at 30 June 2004. The opening balance was reduced by R341 225 attributable to the water fund that was transferred to the district municipality. An operating surplus of R346 788 for the year gave rise to the closing balance. This is summarised as follows:

	Rates and general service R	Water service R	Total R
(Accumulated deficit) Retained income at 1 July 2003	( 27 413)	341 225	313 812
Transferred to district municipality	-	( 341 225)	( 341 225)
Operating surplus for the year	346 788	-	346 788
Retained income at 30 June 2004	<u>319 375</u>	<u>-</u>	<u>319 375</u>

**3 Cash position of the funds****a) Capital development fund**

	R
Cash invested in the fund at 1 July 2003	507 627
Cash movements during the year	
Transferred to district municipality	( 71 845)
Proceeds of disposal of fixed assets	151 296
Annual contribution from operating account	188 500
Interest received on external investments	35 091
Interest received on internal advances	10 919
Repayment received on internal advances	19 193
50% of interest transferred to operating account	( 23 005)
Cash available in the fund at 30 June 2004	<u>817 776</u>

**b) Public improvement fund**

	R
Cash invested in the fund at 1 July 2003	235 206
Cash movements during the year	
Transferred from district municipality	138 971
Interest received on external investments	30 130
Interest received on internal advances	12 221
Repayment received on internal advances	8 191
50% of interest transferred to operating account	( 21 176)
Cash available in the fund at 30 June 2004	<u>403 543</u>

The total cash available in these two funds amounted to R1 221 319 at 30 June 2004. This cash may be used to finance future capital expenditure by way of internal advances or invested externally to earn interest.

**INGWE MUNICIPALITY****ANNUAL FINANCIAL STATEMENTS - 30 June 2004****TREASURER'S REPORT  
for the year ended 30 June 2004****4 Overall cash position**

Cash, including investments, increased from R9 745 891 at the beginning of the year to R13 622 108 at 30 June 2004 as follows:

	2004 R	2003 R
Capital development fund	817 776	507 627
Public improvement fund	403 543	235 206
Rates and general service capital account surplus	4 112	4 112
Water service capital account surplus	447	447
Operating account, including unexpended grants	12 396 230	8 998 499
	<u>13 622 108</u>	<u>9 745 891</u>

Unexpended grants, which have been included in reserves in the financial statements, are the main reason for the strong cash position. The bulk of these grants have been earmarked for projects that have already commenced or which will commence during the forthcoming financial year.

The overall financial position of the municipality remains sound. A prudent approach has been adopted with regard to the carrying value of debtors in that an accumulated amount of R1 011 000 has been provided in the event that debtors may prove irrecoverable.

**5 Capital expenditure**

Details of capital expenditure amounting to R4 994 407 during the year are as follows:

	Actual R	Budget R
Municipal capital building	329 062	-
Sonyongwana community hall	23 082	-
Improvements to existing municipal buildings	367 663	205 000
Creighton agricultural hall	750 000	350,000
Njobokazi community hall	234 640	180,000
Nkelebantwana community hall	105 553	350,000
Zidweni community hall	440 649	300 000
Bhidla community hall	24 423	350 000
Ncwadi taxi rank	196 465	120,000
Fencing	32 134	-
Roads	1 565 355	2,900,000
Plant, machinery and equipment	41 635	43,000
Motor vehicles	514 390	250,000
Computer equipment	276 437	30 000
Office furniture and equipment	92 919	44 000
	<u>4 994 407</u>	<u>5 122 000</u>

**INGWE MUNICIPALITY****ANNUAL FINANCIAL STATEMENTS - 30 June 2004****TREASURER'S REPORT  
for the year ended 30 June 2004****5 Capital expenditure (continued)**

The capital expenditure was financed as follows:

	R
Contributions from current income	53 415
Equitable share grant	4 739 701
Management assessment grant	4 700
Management assistance programme grant	94 473
Metering grant	60 960
Zashuke/Bhidla community gardens grant	23 474
Sewing machines grant	17 684
	<hr/>
	4 994 407
	<hr/> <hr/>

**F F McALLISTER**  
Treasurer



## INGWE MUNICIPALITY

### ANNUAL FINANCIAL STATEMENTS - 30 June 2004

#### ACCOUNTING POLICIES

##### 1 Basis of presentation

- 1.1 The financial statements are prepared in conformity with the standards laid down by the Institute of Municipal Treasurers and Accountants in its Code of Accounting Practice (1997) and Report on Published Annual Financial Statements (Second Edition, 1996).
- 1.2 The financial statements are prepared on the historical cost basis, adjusted for fixed assets as more fully set out in accounting policy note 4.
- 1.3 The financial statements are prepared on the accrual basis:  
Income is accrued when measurable and collectible. Certain indirect income such as traffic fines is only accounted for when received.  
Known expenditure to date of preparation of the financial statements is accrued in the year in which it is incurred.
- 1.4 The accounting policies are consistent with those of the previous year except where otherwise indicated.

##### 2 Consolidation

The balance sheet includes the rates and general service, the water service and the different funds, reserves and provisions.

##### 3 Funds

- 3.1 Capital development fund  
The ordinance requires a minimum contribution of 3% of the defined income of the local authority to this fund. The fund is used to finance capital expenditure and surplus funds are invested.
- 3.2 Public improvement fund  
The fund is used to finance capital expenditure and surplus funds are invested.

##### 4 Fixed assets

- 4.1 Fixed assets are stated at historical cost or, in the case of assets acquired by grant or donation, at valuation based on the market price of the asset at date of acquisition. Assets no longer in existence or fit for use are written off.
- 4.2 Fixed assets are not depreciated. The value of loans redeemed and other capital receipts is equivalent to depreciation and is off-set against the cost of fixed assets.
- 4.3 Net proceeds from the sale of vacant immovable property are credited to the public improvement fund. Net proceeds from the sale of other fixed assets are credited to the capital development fund.
- 4.4 The acquisition of fixed assets is financed from different sources including operating income, endowments, external loans and internal advances. Interest is charged on the loans and advances at the rates ruling at the dates of acquisition of the assets. The loans and advances are repaid over the estimated useful lives of the assets concerned.

## **INGWE MUNICIPALITY**

### **ANNUAL FINANCIAL STATEMENTS - 30 June 2004**

#### **ACCOUNTING POLICIES**

##### **5 Investments**

Investments are stated at cost and comprise securities prescribed by section 125 of the Local Authorities Ordinance, 1974. The investments are considered risk-free.

##### **6 Provisions**

###### **6.1 Audit fee**

Provision is made for the estimated cost of the audit of the current financial statements.

###### **6.2 Leave encashments**

Provision is made for the value of leave due to members of staff at year end.

###### **6.3 Property revaluation**

Provision is made for the estimated cost of revaluing municipal property every five years.

###### **6.4 Workmen's compensation assurance**

Provision is made for the estimated cost of workmen's compensation assurance cover for the period from last assessment to the year end.

###### **6.5 Doubtful debts**

Provision is made for debts the recovery of which appears doubtful at year end.

##### **7 Income recognition**

7.1 Assessment rates are levied on land only and are raised annually. State owned land is subject to a 20% rebate. Land zoned agricultural and used exclusively for agricultural purposes is subject to a 50% rebate.

7.2 Charges for refuse removal and other services are raised monthly.

7.3 Investment income is accounted for monthly.

##### **8 Administration and other overhead expenses**

The estimated costs of internal support services are transferred to the various departments.

##### **9 Retirement benefits**

Certain employees contribute to the KwaZulu-Natal Joint Municipal Pension Fund, a defined benefit fund, or the KwaZulu-Natal Joint Municipal Provident Fund, a defined contribution fund. The funds are considered sound.

##### **10 Cash flow statement**

For the purposes of the cash flow statement, cash and cash equivalents comprise investments, bank balances and cash.

## INGWE MUNICIPALITY

## BALANCE SHEET - 30 June 2004

	Note	2004 R	2003 R
<b>CAPITAL EMPLOYED</b>			
Statutory funds	1	1 770 868	1 458 737
Reserves	2	11 193 558	8 869 364
Retained income	13	319 375	313 812
		<hr/>	<hr/>
		13 283 801	10 641 913
 Long term liabilities	 3	 -	 58 725
 Consumer security deposits		 -	 21 186
		<hr/>	<hr/>
		13 283 801	10 721 824
		<hr/>	<hr/>
 <b>EMPLOYMENT OF CAPITAL</b>			
Fixed assets	4	545 438	773 559
 <b>Current assets</b>			
Investments	5	12 493 428	9 513 046
Debtors	6	1 866 096	1 049 282
Bank balances and cash		1 128 680	232 845
		<hr/>	<hr/>
		15 488 204	10 795 173
 <b>Less:</b>		 	 
 <b>Current liabilities</b>			
Current portion of long term liabilities	3	-	3 487
Creditors	7	2 075 092	479 062
Provisions	8	674 749	364 359
		<hr/>	<hr/>
		2 749 841	846 908
 <b>Net current assets</b>		 12 738 363	 9 948 265
		<hr/>	<hr/>
		13 283 801	10 721 824
		<hr/>	<hr/>

## INGWE MUNICIPALITY

**OPERATING ACCOUNT: INCOME STATEMENT**  
**for the year ended 30 June 2004**

2003 Actual income R	2003 Actual expenditure R	2003 Surplus (deficit) R		2004 Actual income R	2004 Actual expenditure R	2004 Surplus (deficit) R	2004 Budgeted surplus (deficit) R
<b>Rates and general service</b>							
3 734 439	3 596 585	137 854	Community services	6 109 445	5 642 625	466 820	662 014
162 999	402 097	( 239 098)	Subsidised services	174 358	294 390	( 120 032)	( 291 097)
<u>3 897 438</u>	<u>3 998 682</u>	<u>( 101 244)</u>		<u>6 283 803</u>	<u>5 937 015</u>	<u>346 788</u>	<u>370 917</u>
<b>Water service</b>							
531 286	289 524	241 762	Administration and distribution	-	-	- -	76,049
<u>4 428 724</u>	<u>4 288 206</u>	<u>140 518</u>	<b>Totals for year</b>	<u>6 283 803</u>	<u>5 937 015</u>	<u>346 788</u>	<u>294 868</u>
		-	Appropriations for the year			-	
		<u>140 518</u>	Net surplus for the year			<u>346 788</u>	
			Retained income (Accumulated deficit)				
		173 294	At beginning of the year			313 812	
		-	Less: Transferred to district municipality			341 225	
		<u>173 294</u>				<u>( 27 413)</u>	
		<u>313 812</u>	Retained income at end of the year			<u>319 375</u>	
			Made up of:				
		( 27 413)	Rates and general service			319 375	
		<u>341 225</u>	Water service			-	
		<u>313 812</u>				<u>319 375</u>	

Notes: Subsidised services comprise refuse and sewerage services  
Refer to Appendices D and E for more detail

## INGWE MUNICIPALITY

**CASH FLOW STATEMENT**  
**for the year ended 30 June 2004**

	Note	2004 R	2003 R
<b>Cash flow resulting from operating activities</b>			
Operating surplus for the year		346 788	140 518
Adjustment for non-operating and other items	14		
Non-operating expenditure charged against provisions and reserves		( 9 223 135)	( 2 243 327)
Appropriations charged against operating income		659 916	648 826
Capital charges against operating income		57 602	77 447
Interest on investments credited to operating income		( 702 848)	( 652 799)
State subsidies credited to operating income		( 4 650 000)	( 2 700 000)
		( 13 858 465)	( 4 869 853)
Cash utilised by operations		( 13 511 677)	( 4 729 335)
Investment income		780 547	761 592
Increase (Decrease) in working capital	15	452 881	( 312 868)
Cash utilised by operating activities		( 12 278 249)	( 4 280 611)
External interest paid		( 18 648)	( 11 879)
		( 12 296 897)	( 4 292 490)
<b>Cash flow resulting from investing activities</b>			
Investment in fixed assets		( 4 994 407)	( 8 212 497)
Proceeds of disposal of fixed assets		151 296	146,224
		( 4 843 111)	( 8 066 273)
<b>Cash flow resulting from financing activities</b>			
Cash contributions from the public and state		21 016 225	14 901 551
Repayment of long term liabilities		-	( 13 024)
Receipt of consumer security deposits		-	546
		21 016 225	14 889 073
<b>Net increase in cash and cash equivalents</b>		<b>3 876 217</b>	<b>2 530 310</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>9 745 891</b>	<b>7 215 581</b>
<b>Cash and cash equivalents at end of year</b>	16	<b>13 622 108</b>	<b>9 745 891</b>

## INGWE MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 30 June 2004**1 Statutory funds**

	2004 R	2003 R
Capital development fund	907 773	616 817
Public improvement fund	863 095	841 920
	<u>1 770 868</u>	<u>1 458 737</u>

Refer to Appendix A for more detail.

**2 Reserves**

	2004 R	2003 R
Land development grant	1 010	1 010
Local economic development grant	2 720	2 720
State housing subsidy (Creighton project)	7 705	7 705
State housing subsidy (Donnybrook project)	38 733	3,722
State housing subsidy (Tar's Valley project)	1 367 052	-
CMIP grant (Bulwer housing project)	27 020	27 020
CMIP grant (Donnybrook water system)	180 736	180 736
CMIP grant (Ngcobo's farm infrastructure)	56 998	-
CMIP grant (Nkwezela landfill site)	189 938	193 738
CMIP grant (Tar's Valley)	54 007	-
Equitable share grant	5 418 823	6 329 410
Establishment grant	110 440	110 440
Indigent support grant	660 399	499 284
Management assessment grant	-	4 700
Management assistance programme grant	226 869	300 019
Metering grant	-	56 809
Free basic water grant	677 785	677 785
Infrastructure grant	10 455	368,773
Public awareness campaign grant	50 000	50,000
IDP review grant	135 092	25,493
Disaster relief fund	80 000	30,000
Amakhuze biodiversity project grant	1 083 076	-
Rating of property grant	170 000	-
PIMS Skills development grant	250 000	-
Bulwer craft centre grant	187 500	-
Printer grant	7 200	-
GIS grant	200 000	-
	<u>11 193 558</u>	<u>8 869 364</u>

Refer to Appendix A for more detail.

## INGWE MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 30 June 2004**3 Long term liabilities**

	2004 R	2003 R
Annuity loan	-	62 212
Current portion transferred to current liabilities	-	3 487
	<u>-</u>	<u>58,725</u>
	<u><u>-</u></u>	<u><u>58,725</u></u>

Refer to Appendix B for more detail.

**4 Fixed assets**

	2004 R	2003 R
Fixed assets at beginning of the year	12 982 961	4 942 706
Capital expenditure during the year	4 994 407	8 212 497
	<u>17 977 368</u>	<u>13 155 203</u>
Less: Disposals during the year	4 063 169	172,242
	<u>13 914 199</u>	<u>12 982 961</u>
Gross carrying value	13 914 199	12 982 961
Less: Loans redeemed and other capital receipts	13 368 761	12 209 402
	<u>545 438</u>	<u>773 559</u>
Net carrying value	<u><u>545 438</u></u>	<u><u>773 559</u></u>

Refer to Appendix C for more detail.

## INGWE MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 30 June 2004**5 Investments**

	2004 R	2003 R
Deposits with First National Bank:		
32-Day notice deposits	784 334	731 000
Money market deposits	11 709 094	8 782 046
	<u>12 493 428</u>	<u>9 513 046</u>
Average rate of return on investments	6,8%	11,2%

Circulars issued by the provincial administration require municipalities to invest funds which are not immediately required with prescribed deposit-taking institutions and that the period should be such that it will not be necessary to borrow funds against the investment at a penalty rate to meet commitments.

**6 Debtors**

	2004 R	2003 R
Property owners: rates	1 270 125	1 020 319
Service charges	103 732	159 856
Staff and councillors: short-term loans	59 397	5 017
SA Revenue Service: VAT	1 376 603	788 328
Security deposits with suppliers	27 399	24 064
Sundry debtors	39 840	4,590
Accrued interest	-	10,964
Expenditure in anticipation of grants receivable	-	17,144
	<u>2 877 096</u>	<u>2 030 282</u>
Gross carrying value	2 877 096	2 030 282
Less: Provision for doubtful debts	<u>1 011 000</u>	<u>981 000</u>
Net carrying value	<u>1 866 096</u>	<u>1 049 282</u>

**7 Creditors**

	2004 R	2003 R
Prepaid rates and service charges	76 810	91 149
Trade creditors	1 587 567	382 831
Creighton Agricultural Society	378 023	-
Sisonke District Municipality	25 358	-
Sundry creditors	6 877	4,625
Payroll deductions awaiting payover	457	457
	<u>2 075 092</u>	<u>479 062</u>



## INGWE MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 30 June 2004**8 Provisions**

	2004 R	2003 R
Audit fee	68 500	45 000
Five-yearly property revaluation	500 000	250,000
Staff leave encashments	99 480	62 703
Workmen's compensation assurance	6 769	6,656
	<u>674 749</u>	<u>364 359</u>

Refer to appendix A for more detail

**9 Assessment rates**

	Site valuations on 1 July 2003 R	Site valuations on 1 July 2002 R	2004 R	2003 R
Land only	4 543 300	4 615 200	<u>554 841</u>	<u>498 141</u>

Revaluations of fixed property are performed once every five years.  
The last general revaluation came into effect on 1 July 2001. To  
save costs only land was valued.  
The rates randage was 12,95 cents in the rand on land  
( 2003 : 11,88 cents).

**10 Councillors' remuneration**

	2004 R	2003 R
Basic remuneration	749 113	578 536
Housing allowances	100 159	-
Travel allowances	251 591	187 811
Private space allowances	49 719	50 404
Cellphone allowances	214 200	106 262
	<u>1 364 782</u>	<u>923 013</u>

**11 Auditor's remuneration**

	2004 R	2003 R
Audit fee	<u>88 054</u>	<u>53 614</u>

## INGWE MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 30 June 2004

## 12 Finance transactions

	2004 R	2003 R
Total external interest earned	670 238	628 414
Total external interest paid	18 648	11 879
Capital charges debited to operating account:		
Interest		
- external	18 648	11 879
- internal	23 140	46 747
Redemption		
- external	-	4 606
- internal	27 383	37 587
	69 171	100 819

## 13 Appropriations

	2004 R	2003 R
<b>Appropriation account</b>		
Retained income at beginning of the year	313 812	173 294
Less: Transferred to district municipality	341 225	-
	( 27 413)	173 294
Operating surplus for the year	346 788	140 518
Retained income at end of the year	319 375	313 812
Made up of:		
Rates and general service	319 375	( 27 413)
Water service	-	341 225
	319 375	313 812
<b>Operating account</b>		
Capital expenditure	53 415	50 212
Contributions to:		
Doubtful debts provision	30 604	100 259
Audit fee provision	88 054	53 614
Capital development funds	188 500	138 000
Revaluation provision	250 000	250 000
Staff leave encashment provision	36 777	45 367
Disaster relief fund	50 000	30,000
Workmen's compensation assurance provision	12 566	11,374
	709 916	678 826

## INGWE MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 30 June 2004

## 14 Adjustment for non-operating and other items

	2004 R	2003 R
Non-operating expenditure charged against provisions and reserves	( 9 223 135)	( 2 243 327)
Appropriations charged against operating income		
Capital development fund	188 500	138 000
Provisions and reserves	418 001	460 614
Fixed assets	53 415	50 212
	659 916	648 826
Capital charges against operating income:		
Interest paid:		
- on internal advances	11 570	23 375
- on external loans	18 648	11 879
Redemption:		
- of internal advances	27 384	37 587
- of external loans	-	4 606
	57 602	77 447
Interest on investments credited to operating account	( 702 848)	( 652 799)
State subsidies credited to operating account	( 4 650 000)	( 2 700 000)
	<u>( 13 858 465)</u>	<u>( 4 869 853)</u>

## 15 Increase (Decrease) in working capital

	2004 R	2003 R
Increase in current debtors	( 889 854)	( 624 267)
Decrease in current portion of long term liabilities	-	( 3 311)
Increase in creditors	1 342 735	314 710
	<u>452 881</u>	<u>( 312 868)</u>

## INGWE MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 30 June 2004**16 Cash and cash equivalents**

	2004 R	2003 R
Investments	12 493 428	9 513 046
Bank balances and cash	1 128 680	232 845
	<u>13 622 108</u>	<u>9 745 891</u>

**17 Capital commitments**

	2004 R	2003 R
Commitments in respect of capital expenditure:		
Approved and contracted	22 333 837	22 333 837
Approved but not yet contracted	12 527 944	12 527 944
	<u>34 861 781</u>	<u>34 861 781</u>
 This expenditure will be financed from:		
Internal sources	-	-
External sources	34 861 781	34 861 781
	<u>34 861 781</u>	<u>34 861 781</u>

**18 Contingent liabilities and contractual obligations**

	2004 R	2003 R
There are no contingent liabilities or contractual obligations	-	-

**19 Capital development fund**

	2004 R	2003 R
Accumulated funds	907 773	616 817
Less: Internal advances	89 997	109 190
Cash resources	<u>817 776</u>	<u>507 627</u>

See Appendices A and B for more detail.

## INGWE MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 30 June 2004**20 Public improvement fund**

	2004 R	2003 R
Accumulated funds	863 095	841 920
Less : Internal advances	68 523	215 685
Land	391 029	391 029
	459 552	606 714
Cash resources	403 543	235 206

See Appendices A and B for more detail.

## INGWE MUNICIPALITY

## ANNUAL FINANCIAL STATEMENTS - 30 June 2004

## APPENDIX A: STATUTORY FUNDS, RESERVES AND PROVISIONS

	Balance at beginning of the year R	Contributions during the year R	Interest on investments R	Other income R	Expenditure during the year R	Balance at end of the year R
<b>Statutory funds</b>						
Capital development fund	544 972	188 500	46 010	151 296	23 005	907 773
Public improvement fund	841 920	-	42 351	-	21 176	863 095
	<b>1 386 892</b>	<b>188 500</b>	<b>88 361</b>	<b>151 296</b>	<b>44 181</b>	<b>1 770 868</b>

**Reserves**

Land development grant	1 010	-	-	-	-	1 010
Local economic development grant	2 720	-	-	-	-	2 720
State housing subsidy (Creighton project)	7 705	-	-	-	-	7 705
State housing subsidy (Donnybrook project)	3,722	-	-	2 498 539	2 463 528	38 733
State housing subsidy (Tar's Valley project)	-	-	-	2 666 325	1 299 273	1 367 052
CMIP grant (Bulwer housing project)	27 020	-	-	-	-	27 020
CMIP grant (Donnybrook water system)	180 736	-	-	-	-	180 736
CMIP grant (Ngcobo's farm infrastructure)	-	-	-	1 036 258	979 260	56 998
CMIP grant (Nkwezela landfill site)	193 738	-	-	-	3,800	189 938
CMIP grant (Tar's Valley infrastructure)	-	-	-	1 176 172	1 122 165	54 007
Equitable share grant	6 329 410	-	-	10 432 763	11 343 350	5 418 823
Establishment grant	110 440	-	-	-	-	110 440
Indigent support grant	499 284	-	19 615	154 000	12,500	660 399
Management assessment grant	4 700	-	-	-	4 700	-
Management assistance programme grant	300 019	-	21 323	-	94,473	226 869
Metering grant	56 809	-	4 151	-	60,960	-
Free basic water grant	677 785	-	-	-	-	677 785
Integrated development plan grant	25,493	-	-	177 000	67 401	135 092
Zashuke/Bhidla community gardens grant	351,089	-	-	-	340 634	10 455
Borehole feasibility study grant	-	-	-	296 381	296 381	-
Sewing machines grant	17,684	-	-	-	17 684	-
Public awareness campaign grant	50,000	-	-	-	-	50 000
Amakhuze biodiversity grant	-	-	-	1 600 000	516 924	1,083,076
Tourism grant	-	-	-	152 880	152 880	-
Land use management system grant	-	-	-	80 000	80 000	-
Property rating grant	-	-	-	170 000	-	170,000
PIMS skills development grant	-	-	-	250 000	-	250,000
Bulwer craft centre grant	-	-	-	187 500	-	187,500
Printer grant	-	-	-	7 200	-	7,200
GIS grant	-	-	-	200 000	-	200,000
Disaster relief fund	30,000	-	-	50 000	-	80 000
	<b>8 869 364</b>	<b>-</b>	<b>45 089</b>	<b>21 135 018</b>	<b>18 855 913</b>	<b>11 193 558</b>

**Provisions**

Audit fee	45 000	88 054	-	-	64 554	68 500
Leave encashments	62 703	36 777	-	-	-	99 480
Property revaluation	250,000	250 000	-	-	-	500 000
Workmen's compensation assurance	6,656	12 566	-	-	12 453	6 769
	<b>364 359</b>	<b>387 397</b>	<b>-</b>	<b>-</b>	<b>77 007</b>	<b>674 749</b>

**Note:**

The opening balance on the capital development fund has been reduced by an amount of R71 845 representing the portion attributable to the water service which has been transferred to Sisonke District Municipality.

**INGWE MUNICIPALITY****ANNUAL FINANCIAL STATEMENTS - 30 June 2004****APPENDIX B: EXTERNAL LOAN AND INTERNAL ADVANCES**

	Balance at beginning of the year R	Received during the year R	Repaid during the year R	Balance at end of the year R
<b>External loan</b>				
<b>Water service</b>				
Development Bank of Southern Africa	62 212	-	62 212	-
Responsibility for repayment of the loan was assumed by Sisonke District Municipality on 1 July 2003				
<b>Internal advances</b>				
<b>Public improvement fund</b>				
Advances to rates and general service	76 714	-	8 191	68 523
Advances to water service	138 971	-	138 971	-
	215 685	-	147 162	68 523
<b>Capital development fund</b>				
Advances to rates and general service	109 190	-	19 193	89 997
	324 875	-	166 355	158 520

## INGWE MUNICIPALITY

## ANNUAL FINANCIAL STATEMENTS - 30 June 2004

## APPENDIX C: ANALYSIS OF FIXED ASSETS

2003 Acquisitions R		2004 Budgeted acquisitions R	Balance at beginning of the year R	Acquisitions during the year R	Disposals during the year R	Balance at end of the year R
<b>Rates and general service</b>						
4 899 755	Real estate	1 855 000	6 256 143	2 471 537	380,333	8 347 347
87,177	Roads, pavements, drains and fences	2 900 000	743 023	1 597 489	-	2 340 512
11 352	Plant, machinery and equipment	43 000	58 703	41 635	-	100 338
702 360	Vehicles, tractors and trailers	250,000	980 438	514 390	-	1 494 828
104 840	Computer equipment	30 000	177 405	276 437	10,668	443 174
631 256	Office furniture and equipment	44 000	704 583	92 919	531	796 971
<u>6 436 740</u>		<u>5 122 000</u>	<u>8 920 295</u>	<u>4 994 407</u>	<u>391 532</u>	<u>13 523 170</u>
<b>Water service</b>						
1 760 222	Water system	-	3 665 677	-	3,665,677	-
-	Plant, machinery and equipment	-	436	-	436	-
-	Vehicles, tractors and trailers	-	5 000	-	5,000	-
524	Office furniture and equipment	-	524	-	524	-
<u>1 760 746</u>		<u>-</u>	<u>3 671 637</u>	<u>-</u>	<u>3,671,637</u>	<u>-</u>
<b>Public improvement fund</b>						
-	Land	-	317 000	-	-	317 000
15,011	Land development costs	-	74 029	-	-	74 029
<u>15 011</u>		<u>-</u>	<u>391 029</u>	<u>-</u>	<u>-</u>	<u>391 029</u>
<u>8 212 497</u>	<b>Total fixed assets</b>	<u>5 122 000</u>	<u>12 982 961</u>	<u>4 994 407</u>	<u>4 063 169</u>	<u>13 914 199</u>
<b>Loans redeemed and other capital receipts</b>						
Loans redeemed			381 793	27 384	231 884	177 293
Contributions from current income			489 062	53 415	161,308	381 169
Grants and subsidies received			10 863 612	4 940 992	3 202 370	12 602 234
Developers' contributions			4 500	-	300	4 200
Asset revaluation surplus			470 435	-	266,570	203 865
			<u>12 209 402</u>	<u>5 021 791</u>	<u>3 862 432</u>	<u>13 368 761</u>
<b>Net fixed assets</b>			<u>773 559</u>	<u>( 27 384)</u>	<u>200 737</u>	<u>545 438</u>

**Note:**

In addition to the above capital budget of R5 122 000, the municipality had also budgeted for the following housing projects, the financial benefit of which will pass to the housing beneficiaries and will therefore not be capitalised:

	R
Bulwer housing project	3 680 000
Donnybrook housing project	7 697 085
Tarr's Valley housing project	5 988 260
<u>Total housing budget</u>	<u>17 365 345</u>
Capital expenditure for the municipality	5 122 000
<u>Total approved by National Treasury</u>	<u>22 487 345</u>



## INGWE MUNICIPALITY

## ANNUAL FINANCIAL STATEMENTS - 30 June 2004

APPENDIX D: ANALYSIS OF OPERATING INCOME AND EXPENDITURE  
for the year ended 30 June 2004

2003 Actual R		2004 Actual R	2004 Budget R
<b>Operating income</b>			
2 700 000	Government grants and subsidies	4 650 000	5 650 000
1 728 724	Income from rates, service charges etc	1 633 803	1 420 100
<u>4 428 724</u>		<u>6 283 803</u>	<u>7 070 100</u>
<b>Operating expenditure</b>			
2 235 465	Salaries and allowances	3 216 815	4 514 545
1 468 126	General expenses	2 120 850	1 538 700
295 584	Repairs and maintenance	288 264	358 000
100 819	Capital charges	69 171	101 887
50 212	Contributions to fixed assets	53 415	50 000
138 000	Contributions to CDFs	188 500	212 100
<u>4 288 206</u>		<u>5 937 015</u>	<u>6 775 232</u>

## INGWE MUNICIPALITY

## ANNUAL FINANCIAL STATEMENTS - 30 June 2004

APPENDIX E: OPERATING ACCOUNT: DETAILED INCOME STATEMENT  
for the year ended 30 June 2004

2003 Actual income R	2003 Actual expenditure R	2003 Surplus (deficit) R		2004 Actual income R	2004 Actual expenditure R	2004 Surplus (deficit) R	2004 Budgeted surplus (deficit) R
<b>Rates and general service</b>							
607 171	287 757	319 414	Rates collections	696 385	294 583	401 802	376 600
3 095 991	3 059 181	36 810	Administration	5 392 109	5 125 117	266 992	543 452
627	45 318	( 44 691)	Library	1 345	40 926	( 39 581)	( 45 566)
-	120 899	( 120 899)	Roads	-	111 716	( 111 716)	( 175 707)
148 346	248 742	( 100 396)	Refuse	174 358	294 390	( 120 032)	( 87 935)
14 653	153 355	( 138 702)	Sewerage	-	-	-	( 203 162)
-	5 547	( 5 547)	Toilets	-	14 682	( 14 682)	( 12 200)
30 650	77 883	( 47 233)	Town estates and cemetery	19 606	55 601	( 35 995)	( 24 565)
3 897 438	3 998 682	( 101 244)		6 283 803	5 937 015	346 788	370 917
<b>Water service</b>							
531 286	289 524	241 762	Administration and distribution	-	-	-	( 76 049)
4 428 724	4 288 206	140 518	<b>Totals for year</b>	6 283 803	5 937 015	346 788	294 868
			Appropriations for the year				
			Net surplus for the year				
			Retained income (Accumulated deficit)				
			At beginning of year				
			Less: Transferred to district municipality				
			Retained income at end of year				
			Made up of:				
			Rates and general service				
			Water service				

**INGWE MUNICIPALITY****ANNUAL FINANCIAL STATEMENTS - 30 June 2004****APPENDIX F: STATISTICAL INFORMATION**

	2004	2003
Approximate population	180 000	172 000
Valuations: Rateable properties	R 4 543 300	4 615 200
Non-rateable properties	R 619 100	555 100
Number of properties	253	253
Assessment rates - cents in the Rand:		
Land	12,95	11,88
Buildings	N/A	N/A
Number of employees	24	21